

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHMK #0646/01 3091253  
ZNR UUUUU ZZH  
P 051253Z NOV 09  
FM AMEMBASSY MANAMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 9001  
INFO RUCPDO/USDOC WASHDC

UNCLAS MANAMA 000646

SIPDIS

PASS TO USTR/GBLUE  
STATE FOR EB/TPP/BTA

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [BA](#)  
SUBJECT: 2010 NATIONAL TRADE ESTIMATE REPORT - BAHRAIN

REF: STATE 105978

¶1. Summary: The following is Post's submission of its National Trade Estimate for 2010 including reports on Sanitary and Phytosanitary and Standards-Related Foreign Trade Barriers. End Summary.

-----  
TRADE SUMMARY  
-----

¶2. The U.S. goods trade balance with Bahrain went from a deficit of \$33 million in 2007, to a surplus of \$291 million in 2008. U.S. exports in 2008 were \$829.5 million, up 40.3 percent from the previous year. Through August 2009, U.S. exports to Bahrain reached \$432 million, while U.S. imports from Bahrain totaled \$292.6 million. As of August 2009, Bahrain is the 81st largest export market for U.S. goods. Final statistics for 2009 are not yet available.

¶3. The stock of U.S. foreign direct investment (FDI) in Bahrain was \$178 million in 2008 (latest data available), up from \$160 million in 2007.

-----  
IMPORT POLICIES  
-----

¶4. Upon entry into force of the United States-Bahrain Free Trade Agreement (FTA) in August 2006, 100 percent of bilateral trade in consumer and industrial products became duty free. Bahrain will phase out tariffs on the remaining handful of agricultural product lines by 2015. Textiles and apparel trade is duty free, promoting new opportunities for U.S. and Bahraini fiber, yarn, fabric and apparel manufacturing.

¶5. As a member of the Gulf Cooperation Council (GCC), Bahrain applies the GCC common external tariff of 5 percent for most non-U.S. products, with a limited number of GCC-approved country-specific exceptions. Bahrain's exceptions include alcohol (125 percent) and tobacco (120 percent). Some 434 food and medical items are exempted from customs duties entirely.

-----  
STANDARDS, TESTING, LABELING, AND CERTIFICATION  
-----

Standards  
-----

¶6. Bahrain generally follows international or GCC standards, and the development of standards in Bahrain is based on the following principles: no unique Bahraini standard is to be developed if there is an identical draft GCC standard in existence or in the process of being developed; and developing new Bahraini standards must not create trade barriers. As part of the GCC Customs Union, the six Member States are working toward unifying their standards and conformity assessment systems. However, each Member State currently continues to apply either its own standard or a GCC standard, resulting in a complicated situation for U.S. businesses. GCC Member States do not consistently send notification of new measures

to WTO Members and the WTO Committee on Technical Barriers to Trade (TBT) or allow WTO Members an opportunity to provide comments.

¶7. In June 2007, the Gulf Standards Organization (GSO) approved two new standards for the labeling and expiration periods of food products. The new standards have subsequently been adopted by the member states and eliminate the long standing requirement that at least one-half of a product's shelf life be valid when a product reaches a port of entry in GCC Member States. Officials from the GSO have stated that GCC Member States will accept use of the terms "best by" and "best before" as meeting the date labeling requirement for shelf-stable products. The United States has requested written confirmation of this situation. GCC members continue to require that food products include both expiration and production dates, a requirement that is inconsistent with Codex guidelines.

GCC Member States have notified the WTO of a number new or revised food standards in recent years. For the most part, members have included guidelines from international reference organizations. However, a number of standards include provisions that could disrupt exports of certain U.S. food products if adopted and enforced. The United States has commented extensively on many of these notifications.

¶8. The total number of GCC standards adopted as Bahraini standards currently stands at 1,020. Bahrain mandates compliance with 320 of those standards, whereas the rest remain voluntary. There are also approximately 434 draft GCC standards under development, including a revised vehicle identification number location requirement that has elicited concern from at least one U.S. manufacturer; the Bahraini Ministry of Industry and Commerce has been responsive and has pledged to carefully weigh these concerns.

Conformity Assessment

-----

¶9. The GCC Standards Committee is currently developing a conformity assessment scheme to be adopted ultimately by each of the six Member States and has set 2010 as a deadline for full implementation by each Member State. The United States is working to establish a dialogue between U.S. and GCC technical experts to discuss this proposed scheme with the goal of helping to ensure that it is developed, adopted, and applied in accordance with WTO rules.

#### Sanitary and Phytosanitary Measures

-----

¶10. In May 2007, Bahrain notified WTO Members of proposed procedures meant to harmonize food safety import requirements for all GCC Member States. The United States and other WTO Members provided comments outlining significant concerns with the procedures, which did not appear to have a clear scientific basis and would substantially disrupt food exports to GCC Member States from their trading partners. The GCC Member States have indicated that they have modified key provisions based on trading partner comments and are continuing work on revised set of import procedures. The United States has established a dialogue with GCC technical experts and continues to monitor the situation and suggest alternate requirements that are consistent with international guidelines.

¶11. Bahrain banned imports of pork in MONTH due to H1N1 concerns and has not yet issued a directive lifting the ban. The United States has asked Bahrain to lift the ban on several occasions.

¶12. Bahrain requires that all imported foods be accompanied by a health certificate. In cases where foods are not federally regulated, obtaining a certificate can be a costly and time-consuming process for exporters. Bahrain also requires that all Halal certificates be legalized by the Embassy of Bahrain or the Embassy of any other Arab country. The process can be time consuming and costly for exporters.

#### GOVERNMENT PROCUREMENT

-----

¶13. The Tender Board plays an important role in ensuring a transparent bidding process, which the government of Bahrain recognizes as vital to attracting foreign investment. The Tender Board awarded tenders worth \$914 million in 2008, an increase of 4.6 percent over 2007. The FTA requires procuring entities in Bahrain to conduct procurements covered by the FTA in a fair, transparent,

and nondiscriminatory manner.

¶14. In 2002, Bahrain implemented a new government procurement law to ensure transparency and reduce bureaucracy in government tenders and purchases. The law specifies procurements on which international suppliers are allowed to bid. The Tender Board is chaired by a Minister of State who oversees all tenders and purchases with a value of BD10,000 (\$26,525) or more.

¶15. Bahrain is not a signatory to the WTO Agreement on Government Procurement, but it became an observer to the WTO Committee on Government Procurement in December 2008.

-----  
INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION  
-----

¶16. In the FTA, Bahrain committed to provide strong IPR protection and enforcement. Bahrain passed IPR legislation and regulations to implement these commitments in the areas of copyrights, trademarks, patents, and enforcement, among others.

¶17. As part of the GCC Customs Union, the six Member States are working toward unifying their IPR regimes. In this respect, the GCC is preparing a draft common trademark law. All six Member States are expected to adopt this law as national legislation in order to implement it. The United States has outlined specific concerns with the trademark law and has established a dialogue between U.S. and GCC technical experts to ensure that the law complies with the Member States' international and bilateral obligations.

-----  
INVESTMENT BARRIERS  
-----

¶18. Bahrain permits 100 percent foreign ownership of new industrial entities and the establishment of representative offices or branches of foreign companies without local sponsors. Wholly foreign owned companies may be established for regional distribution services and may operate within the domestic market as long as they do not exclusively pursue domestic commercial sales. Foreign companies established before 1975 may be exempt from this rule under special circumstances.

¶19. Since January 2001, foreign firms and GCC nationals have been permitted to own land in Bahrain. Non-GCC nationals may own high-rise commercial and residential properties, as well as property in tourism, banking, financial and health projects, and training centers, in specific geographic areas.

¶20. In 2006, the Cabinet passed an edict opening ownership of "free hold" properties now being constructed throughout the Kingdom. The edict was specific that all nationalities may own commercial or investment properties. Only high-rise residences, and a few specific residential properties in large projects, may be owned free hold.

¶21. In an attempt to streamline licensing and approval procedures, the Ministry of Commerce opened the Bahrain Investors Center (BIC) in October 2004 for both local and foreign companies seeking to register in Bahrain. According to Ministry of Commerce officials, 80 percent of all licenses can be processed and verified within approximately 24 hours, an additional 10 percent within five working days, and the remaining 10 percent, involved in environmental, power, health and other important utilities, and services, are processed separately and issued on a case-by-case basis.

#ERELI